

Gladbrook-Reinbeck Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Gladbrook-Reinbeck Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

| | | |
|---------------|----------------|------|
| Mike Bearden | President | 2013 |
| Matt Wyatt | Vice President | 2011 |
| Darin King | Board Member | 2011 |
| Beth Miller | Board Member | 2011 |
| Rick Lockhart | Board Member | 2011 |
| Doug Rowe | Board Member | 2013 |
| Deb Cooley | Board Member | 2013 |

School Officials

| | | |
|-------------------|------------------------------|------|
| Tim Kuehl | Superintendent | 2011 |
| Debra Oleson | District Secretary/Treasurer | 2011 |
| Peter L J Pashler | Attorney | 2011 |

Independent Auditor's Report

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Reinbeck, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

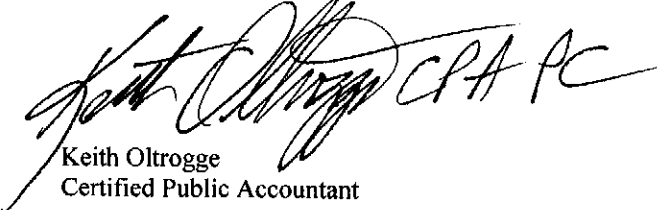
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 15, 2012, on my consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

March 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,282,195 in fiscal 2010 to \$6,864,364 in fiscal 2011, while General Fund expenditures increased from \$6,115,057 in fiscal 2010 to \$6,205,769 in fiscal 2011. The District's General Fund balance increased from \$564,264 in fiscal year 2010 to \$1,202,859 in fiscal year 2011, a 213.2% increase.
- The District's solvency ratio increased from 7.3% in 2010 to 15.3% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gladbrook-Reinbeck Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gladbrook-Reinbeck Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Gladbrook-Reinbeck Community School District Annual Financial Report

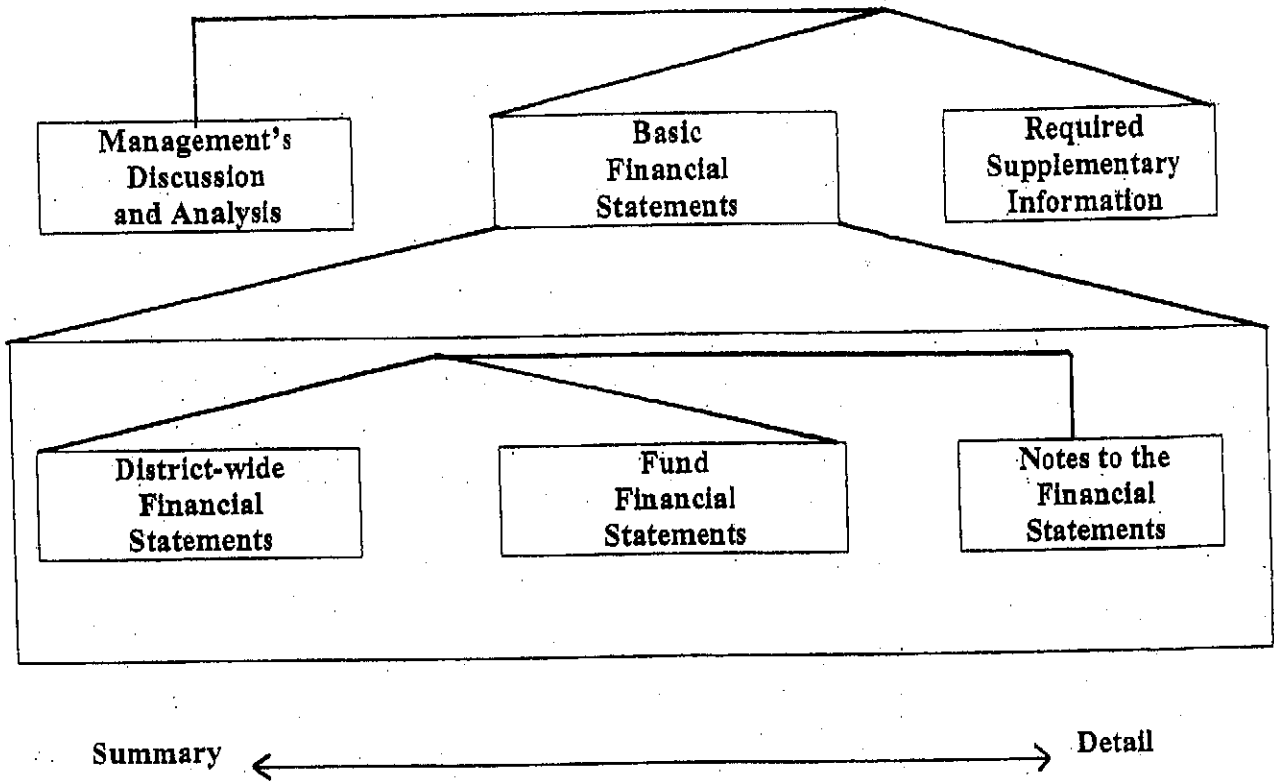


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | Statement of net assets | Balance sheet | Statement of net assets | Statement of fiduciary net assets |
| | Statement of activities | Statement of revenues, expenditures and changes in fund balances | Statement of revenues, expenses and changes in fund net assets | Statement of changes in fiduciary net assets |
| | | | Statement of cash flows | |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/ liability information | All assets and liabilities, both financial and capital, short-term and long- term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long- term | All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- **Agency Funds** – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

| Figure A-3 Condensed Statement of Net Assets | | | | | | | |
|--|----------------------------|--------------|-----------------------------|----------|-------------------|--------------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-2011 |
| Current and other assets | \$6,108,896 | \$5,694,643 | \$23,849 | \$18,585 | \$6,132,745 | \$5,713,228 | 7.3% |
| Capital assets | 4,805,676 | 4,415,586 | 39,430 | 45,138 | 4,845,106 | 4,460,724 | 8.6% |
| Total assets | \$10,914,572 | \$10,110,229 | \$63,279 | \$63,723 | \$10,977,851 | \$10,173,952 | 7.9% |
| Long-term liabilities | \$1,733,809 | \$1,653,443 | \$- | \$- | \$1,733,809 | \$1,653,443 | 4.9% |
| Other liabilities | 3,778,613 | 3,973,574 | 4,421 | 4,216 | 3,783,034 | 3,977,790 | -4.9% |
| Total liabilities | \$5,512,422 | \$5,627,017 | \$4,421 | \$4,216 | \$5,516,843 | \$5,631,233 | -2.0% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | \$3,522,042 | \$3,140,586 | \$39,430 | \$45,138 | \$3,561,472 | \$3,185,724 | 11.8% |
| Restricted | 1,154,916 | 756,585 | - | - | 1,154,916 | 756,585 | 52.6% |
| Unrestricted | 725,192 | 586,041 | 19,428 | 14,369 | 744,620 | 600,410 | 24.0% |
| Total net assets | \$5,402,150 | \$4,483,212 | \$58,858 | \$59,507 | \$5,461,008 | \$4,542,719 | 20.2% |

The District's combined total net assets increased by nearly 20.2%, or \$918,289, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 52.6% or \$398,331, over the prior year. The increase was primarily due to reclassification of unrestricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$144,210 or 24%. This reduction in unrestricted net assets was primarily due to the increases in restricted net assets.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|-------------------------|-------------|--------------------------|-----------|----------------|-------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-2011 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$373,458 | \$351,765 | \$156,154 | \$179,743 | \$529,612 | \$531,508 | -0.4% |
| Operating grants, contributions and restricted interest | 1,076,803 | 1,276,271 | 96,795 | 119,582 | 1,173,598 | 1,395,853 | -15.9% |
| Capital grants, contributions and restricted interest | - | - | - | 9,137 | - | 9,137 | -100% |
| General revenues: | | | | | | | |
| Property tax | 3,458,793 | 3,155,873 | - | - | 3,458,793 | 3,155,873 | 9.6% |
| Statewide sales, service and use tax | 439,965 | 437,090 | - | - | 439,965 | 437,090 | 0.7% |
| Unrestricted state grants | 2,463,484 | 2,097,334 | - | - | 2,463,484 | 2,097,334 | 17.5% |
| Unrestricted investment earnings | 26,496 | 38,311 | 47 | 608 | 26,543 | 38,919 | -31.8% |
| Other | 96,027 | 108,581 | 666 | - | 96,693 | 108,581 | -10.9% |
| Total revenues | \$7,935,026 | \$7,465,225 | \$253,662 | \$309,070 | \$8,188,688 | \$7,774,295 | 5.3% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | \$4,626,454 | \$4,552,286 | \$- | \$- | \$4,626,454 | \$4,552,286 | 1.6% |
| Support services | 2,023,751 | 1,983,366 | - | - | 2,023,751 | 1,983,366 | 2.0% |
| Non-instructional programs | 16,873 | 24,025 | 274,311 | 311,545 | 291,184 | 335,570 | -13.2% |
| Other expenses | 331,918 | -298,835 | - | - | 331,918 | -298,835 | 1,110.7% |
| Total expenses | \$6,998,996 | \$6,260,842 | \$274,311 | \$311,545 | \$7,273,307 | \$6,572,387 | 16% |
| Change in net assets | \$936,030 | \$1,204,383 | -\$20,649 | -\$2,475 | \$915,381 | \$1,201,908 | -23.8% |

In fiscal year 2011, property tax and unrestricted state grants account for 72.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue.

The District's total revenues were approximately \$8.1 million, of which approximately \$7.9 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.3% increase in revenues and a 16% increase in expenses. Property tax increased approximately \$303,000. The increase in expenses is related to the increase in other expenses.

Governmental Activities

Revenues for governmental activities were \$7,935,026 and expenses were \$6,998,996. The District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | Change | Net Cost of Services | | Change |
|----------------------------|------------------------|-------------|-----------|----------------------|-------------|-----------|
| | 2011 | 2010 | 2010-2011 | 2011 | 2010 | 2010-2011 |
| Instruction | \$4,626,454 | \$4,552,286 | 1.6% | \$3,251,798 | \$2,931,151 | 10.9% |
| Support services | 2,023,751 | 1,983,366 | 2.0% | 1,948,146 | 1,976,465 | -1.5% |
| Non-instructional programs | 16,873 | 24,025 | -29.7% | 16,873 | 24,025 | -29.7% |
| Other expenses | 331,918 | -298,835 | 1,110.7% | 331,918 | -298,835 | 1,110.7% |
| Totals | \$6,998,996 | \$6,260,842 | 11.8% | \$5,548,735 | \$4,632,806 | 19.8% |

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$529,612.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,173,598.
- The net cost of governmental activities was financed with \$3,898,758 in property and other taxes and \$2,463,484 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$253,662, and expenses were \$274,311. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,338,503, more than last year's ending fund balances of \$1,731,937.

Governmental Fund Highlights

- The General Fund balance increased from \$564,264 to \$1,202,859 due in part to the increase in revenue over the increase in expenditures.
- The Capital Projects Fund balance decreased from \$677,189 to \$614,879 due to the decrease in Physical Plant and Equipment Levy property taxes.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$59,507 at June 30, 2010 to \$58,858 at June 30, 2011, due to the decrease in revenue.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District amended its annual budget one time.

The District's receipts were \$139,984 more than budgeted receipts, a variance of 1.7%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year end and without sufficient time to amend the certified budget.

In this particular case, the District feels the guidance wasn't clear on how the purchases for their 1:1 initiative computer purchases should be coded.

Since their conversation with the Department of Education, the District has issued clarification to their chart of accounts and in their publication School Business Alert.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$4,845,106, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 8.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$375,850.

The original cost of the District's capital assets was \$11,029,557. Governmental funds account for \$10,904,612, with the remainder of \$124,945 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category.

Figure A-6
Capital Assets, net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------------------|----------------------------|-------------|-----------------------------|----------|-------------------|-------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-2011 |
| Land | \$37,965 | \$37,965 | \$- | \$- | \$37,965 | \$37,965 | - |
| Buildings | 3,588,483 | 3,513,519 | - | - | 3,588,483 | 3,513,519 | 2.1% |
| Improvements other than buildings | 218,895 | 211,704 | - | - | 218,895 | 211,704 | 3.3% |
| Furniture and equipment | 960,333 | 652,398 | 39,430 | 45,138 | 999,763 | 697,536 | 43.3% |
| Totals | \$4,805,676 | \$4,415,586 | \$39,430 | \$45,138 | \$4,845,106 | \$4,460,724 | 8.6% |

Long-Term Debt

At June 30, 2011, the District had \$1,283,634 in other long-term debt outstanding. This represents an increase of 0.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding debt is significantly below its constitutional debt limit of approximately \$20 million.

Figure A-7
Outstanding Long-term Obligations

| | Total District | | Total Change |
|---------------|-------------------|-------------|-----------------|
| | June 30, | | June 30, |
| | 2011 | 2010 | 2010-2011 |
| Capital note | \$315,000 | \$410,000 | -23.2% |
| Revenue bonds | 725,000 | 865,000 | -16.19% |
| Capital lease | 243,634 | - | 100% |
| Totals | \$1,283,634 | \$1,275,000 | 0.7% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of circumstances which could significantly affect its financial health in the future:

- Actual certified enrollment has decreased each year over the past three years. Enrollment decreases result in reduced state funding.
- Federal and state agencies are also in the process of decreasing their allocations of funding to local school districts which will result in less funding and may require budget adjustments in some areas in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck IA 50669

Basic Financial Statements

Gladbrook-Reinbeck Community School District

Statement of Net Assets

June 30, 2011

| | Govern- mental Activities | Business Type Activities | Total |
|---|---------------------------------|--------------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 2,551,279 | \$ 16,323 | \$ 2,567,602 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 36,213 | - | 36,213 |
| Succeeding year | 2,879,481 | - | 2,879,481 |
| Accounts | 43,523 | - | 43,523 |
| Due from other governments | 598,400 | - | 598,400 |
| Inventories | - | 7,526 | 7,526 |
| Capital assets, net of accumulated depreciation | 4,805,676 | 39,430 | 4,845,106 |
| Total Assets | \$ 10,914,572 | \$ 63,279 | \$ 10,977,851 |
| Liabilities | | | |
| Accounts payable | \$ 81,332 | \$ 289 | \$ 81,621 |
| Salaries and benefits payable | 427,853 | - | 427,853 |
| Accrued interest payable | 8,220 | - | 8,220 |
| Deferred revenue-succeeding year property tax | 2,879,481 | - | 2,879,481 |
| Deferred revenue-other | 381,727 | 4,132 | 385,859 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Capital lease | 78,745 | - | 78,745 |
| Revenue bonds | 145,000 | - | 145,000 |
| Capital note | 100,000 | - | 100,000 |
| Early retirement | 59,833 | - | 59,833 |
| Compensated absences | 148,231 | - | 148,231 |
| Portion due after one year: | | | |
| Capital lease | 164,889 | - | 164,889 |
| Revenue bonds | 580,000 | - | 580,000 |
| Capital note | 215,000 | - | 215,000 |
| Early retirement | 71,378 | - | 71,378 |
| Net OPEB liability | 170,733 | - | 170,733 |
| Total Liabilities | \$ 5,512,422 | \$ 4,421 | \$ 5,516,843 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 3,522,042 | \$ 39,430 | \$ 3,561,472 |
| Restricted for: | | | |
| Categorical funding | 150,483 | - | 150,483 |
| Management levy purposes | 165,345 | - | 165,345 |
| Physical plant and equipment | 193,017 | - | 193,017 |
| Student activities | 101,502 | - | 101,502 |
| Debt service | 181,175 | - | 181,175 |
| Capital projects | 363,394 | - | 363,394 |
| Unrestricted | 725,192 | 19,428 | 744,620 |
| Total Net Assets | \$ 5,402,150 | \$ 58,858 | \$ 5,461,008 |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2011

| Functions/Programs | Program Revenues | | | |
|---|-------------------------|-------------------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,946,667 | \$ 76,973 | \$ 908,786 | \$ - |
| Special instruction | 819,293 | 32,400 | 145,767 | - |
| Other instruction | 860,494 | 197,983 | 12,747 | - |
| | <u>\$ 4,626,454</u> | <u>\$ 307,356</u> | <u>\$ 1,067,300</u> | <u>\$ -</u> |
| Support Services: | | | | |
| Student services | \$ 148,658 | \$ - | \$ 3,959 | \$ - |
| Instructional staff services | 160,837 | - | - | - |
| Administration services | 610,747 | - | 3,900 | - |
| Operation and maintenance of plant services | 637,774 | 1,168 | - | - |
| Transportation services | 465,735 | 64,934 | 1,644 | - |
| | <u>\$ 2,023,751</u> | <u>\$ 66,102</u> | <u>\$ 9,503</u> | <u>\$ -</u> |
| Non-instructional programs | <u>\$ 16,873</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Other Expenditures: | | | | |
| Facilities acquisition | \$ 1,304 | \$ - | \$ - | \$ - |
| Interest and fees | 32,147 | - | - | - |
| AEA flow-through | 298,467 | - | - | - |
| | <u>\$ 331,918</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Governmental Activities | <u>\$ 6,998,996</u> | <u>\$ 373,458</u> | <u>\$ 1,076,803</u> | <u>\$ -</u> |
| Business Type Activities: | | | | |
| Non-Instructional Programs: | | | | |
| Food service operations | \$ 274,311 | \$ 156,154 | \$ 96,795 | \$ - |
| Total | <u>\$ 7,273,307</u> | <u>\$ 529,612</u> | <u>\$ 1,173,598</u> | <u>\$ -</u> |

See notes to financial reports.

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | | Business Type Activities | | Total |
|----------------------------|------------|--------------------------------|---------|---------------|
| \$ | -1,960,908 | \$ | - | \$ -1,960,908 |
| | -641,126 | | - | -641,126 |
| | -649,764 | | - | -649,764 |
| \$ | -3,251,798 | \$ | - | \$ -3,251,798 |
| \$ | -144,699 | \$ | - | \$ -144,699 |
| | -160,837 | | - | -160,837 |
| | -606,847 | | - | -606,847 |
| | -636,606 | | - | -636,606 |
| | -399,157 | | - | -399,157 |
| \$ | -1,948,146 | \$ | - | \$ -1,948,146 |
| \$ | -16,873 | \$ | - | \$ -16,873 |
| \$ | -1,304 | \$ | - | \$ -1,304 |
| | -32,147 | | - | -32,147 |
| | -298,467 | | - | -298,467 |
| \$ | -331,918 | \$ | - | \$ -331,918 |
| \$ | -5,548,735 | \$ | - | \$ -5,548,735 |
| \$ | - | \$ | -21,362 | \$ -21,362 |
| \$ | -5,548,735 | \$ | -21,362 | \$ -5,570,097 |

Gladbrook-Reinbeck Community School District

Statement of Activities

Year Ended June 30, 2011

| | Program Revenues | | |
|----------|----------------------------|--|--|
| | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Expenses | | | |

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net assets

Other Financing Sources (Uses):

Operating transfers in (out)
Sale (Disposal) of Assets

Total Other Financing Sources (Uses)

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | | Business Type Activities | | Total |
|----------------------------|-----------|--------------------------------|---------|--------------|
| \$ | 3,221,508 | \$ | - | \$ 3,221,508 |
| | 237,285 | | - | 237,285 |
| | 439,965 | | - | 439,965 |
| | 2,463,484 | | - | 2,463,484 |
| | 26,496 | | 47 | 26,543 |
| | 96,027 | | 666 | 96,693 |
| \$ | 6,484,765 | \$ | 713 | \$ 6,485,478 |
| \$ | 936,030 | \$ | -20,649 | \$ 915,381 |
| \$ | -20,000 | \$ | 20,000 | \$ - |
| | 2,908 | | - | 2,908 |
| \$ | -17,092 | \$ | 20,000 | \$ 2,908 |
| \$ | 918,938 | \$ | -649 | \$ 918,289 |
| | 4,483,212 | | 59,507 | 4,542,719 |
| \$ | 5,402,150 | \$ | 58,858 | \$ 5,461,008 |

Gladbrook-Reinbeck Community School District

Balance Sheet
Governmental Funds

June 30, 2011

| | General | Capital Projects | Non-major Funds | Total |
|--|---------------------|---------------------|--------------------|---------------------|
| Assets | | | | |
| Cash and Pooled Investments | \$ 1,591,266 | \$ 431,900 | \$ 528,113 | \$ 2,551,279 |
| Receivables: | | | | |
| Property Tax: | | | | |
| Delinquent | 32,013 | 2,197 | 2,003 | 36,213 |
| Succeeding year | 2,522,142 | 207,339 | 150,000 | 2,879,481 |
| Accounts | 42,793 | - | 730 | 43,523 |
| Due from other governments | 365,955 | 232,445 | - | 598,400 |
| Total Assets | \$ 4,554,169 | \$ 873,881 | \$ 680,846 | \$ 6,108,896 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 73,092 | \$ 7,308 | \$ 932 | \$ 81,332 |
| Salaries and benefits payable | 418,704 | - | 9,149 | 427,853 |
| Deferred Revenue: | | | | |
| Succeeding year property tax | 2,522,142 | 207,339 | 150,000 | 2,879,481 |
| Other | 337,372 | 44,355 | - | 381,727 |
| Total Liabilities | \$ 3,351,310 | \$ 259,002 | \$ 160,081 | \$ 3,770,393 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | \$ 150,483 | \$ - | \$ - | \$ 150,483 |
| Debt service | - | 58,468 | 122,707 | 181,175 |
| Management levy purposes | - | - | 296,556 | 296,556 |
| Student activities | - | - | 101,502 | 101,502 |
| School infrastructure | - | 363,394 | - | 363,394 |
| Physical plant and equipment | - | 193,017 | - | 193,017 |
| Unassigned | 1,052,376 | - | - | 1,052,376 |
| Total Fund Balance | \$ 1,202,859 | \$ 614,879 | \$ 520,765 | \$ 2,338,503 |
| Total Liabilities and Fund Balances | \$ 4,554,169 | \$ 873,881 | \$ 680,846 | \$ 6,108,896 |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2011

| | |
|---|----------------------------|
| Total fund balances of governmental funds (page 16) | \$ 2,338,503 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds | 4,805,676 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds | -8,220 |
| Long-term liabilities, including bonds and notes payable, early retirement, compensated absences, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds | <u>-1,733,809</u> |
| Net assets of governmental activities (page 15) | <u>\$ 5,402,150</u> |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

| | General | Capital Projects | Non-major Funds | Total |
|---|--------------|---------------------|--------------------|--------------|
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 3,051,532 | \$ 677,250 | \$ 169,976 | \$ 3,898,758 |
| Tuition | 58,932 | - | - | 58,932 |
| Other | 213,841 | 27,516 | 195,692 | 437,049 |
| Intermediate sources | - | - | - | - |
| State sources | 3,186,923 | 120 | 108 | 3,187,151 |
| Federal sources | 353,136 | - | - | 353,136 |
| Total Revenues | \$ 6,864,364 | \$ 704,886 | \$ 365,776 | \$ 7,935,026 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,643,815 | \$ 308,592 | \$ 97,462 | \$ 3,049,869 |
| Special instruction | 820,002 | - | - | 820,002 |
| Other instruction | 622,580 | - | 178,226 | 800,806 |
| | \$ 4,086,397 | \$ 308,592 | \$ 275,688 | \$ 4,670,677 |
| Support Services: | | | | |
| Student services | \$ 146,392 | \$ - | \$ 3,000 | \$ 149,392 |
| Instructional staff services | 133,357 | 154,517 | 2,960 | 290,834 |
| Administration services | 581,668 | - | 14,705 | 596,373 |
| Operation and maintenance of plant services | 608,242 | 3,392 | 18,063 | 629,697 |
| Transportation services | 351,246 | 5,500 | 11,922 | 368,668 |
| | \$ 1,820,905 | \$ 163,409 | \$ 50,650 | \$ 2,034,964 |
| Non-instructional programs | \$ - | \$ - | \$ 9,195 | \$ 9,195 |
| Other Expenditures: | | | | |
| Facilities acquisition | \$ - | \$ 271,904 | \$ - | \$ 271,904 |
| Long-term debt: | | | | |
| Principal | - | - | 321,298 | 321,298 |
| Interest and fiscal charges | - | - | 34,795 | 34,795 |
| AEA flow-through | 298,467 | - | - | 298,467 |
| | \$ 298,467 | \$ 271,904 | \$ 356,093 | \$ 926,464 |
| Total Expenditures | \$ 6,205,769 | \$ 743,905 | \$ 691,626 | \$ 7,641,300 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 658,595 | \$ -39,019 | \$ -325,850 | \$ 293,726 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in (out) | \$ -20,000 | \$ -356,131 | \$ 356,131 | \$ -20,000 |
| Proceeds from sale of assets | - | 2,908 | - | 2,908 |
| Capital lease proceeds | - | 329,932 | - | 329,932 |
| Total Other Financing Sources (Uses) | \$ -20,000 | \$ -23,291 | \$ 356,131 | \$ 312,840 |
| Net change in fund balances | \$ 638,595 | \$ -62,310 | \$ 30,281 | \$ 606,566 |
| Fund balances beginning of year, as restated | \$ 564,264 | \$ 677,189 | \$ 490,484 | \$ 1,731,937 |
| Fund Balances End of Year | \$ 1,202,859 | \$ 614,879 | \$ 520,765 | \$ 2,338,503 |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 18) **\$ 606,566**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

| | | |
|---------------------------------|-----------------|---------|
| Expenditures for capital assets | \$ 759,365 | |
| Depreciation expense | <u>-369,275</u> | 390,090 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|----------------|--------|
| Issued | \$ -329,932 | |
| Repaid | <u>321,298</u> | -8,634 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,648

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------------|---------|
| Early retirement | \$ 21,853 | |
| Compensated absences | -7,981 | |
| Other postemployment benefits | <u>-85,604</u> | -71,732 |

Change in Net Assets of Governmental Activities (page 15) **\$ 918,938**

Gladbrook-Reinbeck Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

| | School Nutrition |
|---|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 16,323 |
| Inventories | 7,526 |
| Capital assets, net of accumulated depreciation | 39,430 |
| Total Assets | <u>\$ 63,279</u> |
| Liabilities | |
| Accounts payable | \$ 289 |
| Deferred revenue | 4,132 |
| Total Liabilities | <u>\$ 4,421</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 39,430 |
| Unrestricted | 19,428 |
| Total Net Assets | <u>\$ 58,858</u> |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2011

| | |
|--------------------------------------|---------------------|
| | School Nutrition |
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 156,154 |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | \$ 87,665 |
| Benefits | 32,353 |
| Purchased services | 2,447 |
| Supplies | 145,271 |
| Depreciation | 6,575 |
| Total operating expenses | \$ 274,311 |
| Operating loss | \$ -118,157 |
| Non-operating revenues: | |
| State sources | \$ 2,349 |
| Federal sources | 94,446 |
| Interest income | 47 |
| Total non-operating revenues | \$ 96,842 |
| Net loss | \$ -21,315 |
| Other financing sources (uses): | |
| Operating transfer in | \$ 20,000 |
| Capital contribution | 666 |
| Total other financing sources (uses) | \$ 20,666 |
| Change in net assets | \$ -649 |
| Net assets beginning of year | 59,507 |
| Net Assets End of Year | \$ 58,858 |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts and other revenue | \$ 156,139 |
| Cash paid to employees for services | -120,119 |
| Cash paid to suppliers for goods or services | -125,443 |
| Net cash used by operating activities | <u>\$ -89,423</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | \$ 2,349 |
| Federal grants received | 72,598 |
| Net cash provided by non-capital financing activities | <u>\$ 74,947</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>\$ 47</u> |
| Cash flows from capital and related financing activities: | |
| Purchase of equipment | \$ -867 |
| Transfer from general fund | 20,000 |
| Capital contributions | 666 |
| Net cash provided by capital and related financing activities | <u>\$ 19,799</u> |
| Net increase in cash and cash equivalents | \$ 5,370 |
| Cash and cash equivalents beginning of year | <u>10,953</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 16,323</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ -118,157 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 21,848 |
| Depreciation | 6,575 |
| Decrease in inventories | 106 |
| Increase in accounts payable | 221 |
| (Decrease) in deferred revenue | -16 |
| Net Cash Used by Operating Activities | <u>\$ -89,423</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$21,848 of federal commodities.

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

| | <u>Agency</u> |
|-----------------------------|---------------|
| Assets | |
| Cash and pooled investments | \$ 129 |
| Total Assets | <u>\$ 129</u> |
| Liabilities | |
| Accounts payable | \$ 129 |
| Total Liabilities | <u>\$ 129</u> |
| Net assets | |
| Reserved | <u>\$ -</u> |

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa and portions of the predominately agricultural territories in Black Hawk, Marshall, Tama and Grundy Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gladbrook-Reinbeck Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Gladbrook-Reinbeck Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 2,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20 – 50 years |
| Furniture and equipment | 5 – 15 years |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences -- District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity -- In the governmental fund financial statements, fund balances are classified as follows:

Restricted -- Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed -- Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned -- All amounts not included in other spendable classifications.

Restricted Net Assets -- In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

| Transfer to | Transfer from | Amount |
|--------------------------------|---|-------------------|
| Debt Service | Capital Projects -- Physical Plant and Equipment | \$ 112,395 |
| Debt Service | Capital Projects -- Statewide Sales, Services and Use Tax | 243,736 |
| Enterprise -- School Nutrition | General Fund | 20,000 |
| | | <u>\$ 376,131</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
|--|---------------------------------|------------|-----------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 37,965 | \$ - | \$ - | \$ 37,965 |
| Total capital assets not being depreciated | \$ 37,965 | \$ - | \$ - | \$ 37,965 |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 6,055,681 | \$ 211,765 | \$ - | \$ 6,267,446 |
| Improvements other than buildings | 627,633 | 25,500 | - | 653,133 |
| Furniture and equipment | 3,423,968 | 522,100 | - | 3,946,068 |
| Total capital assets being depreciated | \$ 10,107,282 | \$ 759,365 | \$ - | \$ 10,866,647 |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 2,542,162 | \$ 136,801 | \$ - | \$ 2,678,963 |
| Improvements other than buildings | 415,929 | 18,309 | - | 434,238 |
| Furniture and equipment | 2,771,570 | 214,165 | - | 2,985,735 |
| Total accumulated depreciation | \$ 5,729,661 | \$ 369,275 | \$ - | \$ 6,098,936 |
| Total capital assets being depreciated, net | \$ 4,377,621 | \$ 390,090 | \$ - | \$ 4,767,711 |
| Governmental Activities Capital Assets, Net | \$ 4,415,586 | \$ 390,090 | \$ - | \$ 4,805,676 |
| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
| Business type activities: | | | | |
| Nutrition Fund: | | | | |
| Furniture and equipment | \$ 124,078 | \$ 867 | \$ - | \$ 124,945 |
| Less accumulated depreciation | 78,940 | 6,575 | - | 85,515 |
| Business Type Activities Capital Assets, Net | \$ 45,138 | \$ -5,708 | \$ - | \$ 39,430 |

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 190,777

Other

73,447

Support services:

Administration services

520

Operation and maintenance of plant

3,618

Transportation

100,913

Total Depreciation Expense – Governmental Activities

\$ 369,275

Business Type Activities:

Food service operations

\$ 6,575

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

| | Balance Beginning Of Year | Additions | Reductions | Balance End Of Year | Due Within One Year |
|----------------------|---------------------------------|------------|------------|---------------------------|---------------------------|
| Capital note | \$ 410,000 | \$ - | \$ 95,000 | \$ 315,000 | \$ 100,000 |
| Revenue bonds | 865,000 | - | 140,000 | 725,000 | 145,000 |
| Net OPEB liability | 85,129 | 85,604 | - | 170,733 | - |
| Early retirement | 153,064 | 52,242 | 74,095 | 131,211 | 59,833 |
| Compensated absences | 140,250 | 21,537 | 13,556 | 148,231 | 148,231 |
| Capital lease | - | 329,932 | 86,298 | 243,634 | 78,745 |
| Total | \$ 1,653,443 | \$ 489,315 | \$ 408,949 | \$ 1,733,809 | \$ 531,809 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The eligible employee will receive a cash benefit of \$5,000 in one payment and insurance up to 7 years or age 65, less applicable payroll deductions in October 2011. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2011 totaled \$74,095.

Capital Lease

The District entered into a Capital Lease with Apple, Inc for the purchase of computers for \$329,932 on June 27, 2011

Details of the District's capital lease indebtedness is as follows:

| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
|----------------------|---------------|------------|-----------|------------|
| 2012 | 3.1004% | \$ 78,745 | \$ 7,553 | \$ 86,298 |
| 2013 | 3.1004% | 81,186 | 5,112 | 86,298 |
| 2014 | 3.1004% | 83,703 | 2,595 | 86,298 |
| | | \$ 243,634 | \$ 15,260 | \$ 258,894 |

Capital Note

Details of the District's June 30, 2011 capital note indebtedness is as follows:

| Year Ending June 30, | Capital Note Issued July 1, 2004 | | | |
|----------------------|----------------------------------|------------|-----------|------------|
| | Interest Rate | Principal | Interest | Total |
| 2012 | 4.1% | \$ 100,000 | \$ 12,915 | \$ 112,915 |
| 2013 | 4.2% | 105,000 | 9,030 | 114,030 |
| 2014 | 4.3% | 110,000 | 4,730 | 114,730 |
| | | \$ 315,000 | \$ 26,675 | \$ 341,675 |

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rate | Bonds Issued August 4, 2009 | | |
|----------------------|---------------|-----------------------------|-----------|------------|
| | | Principal | Interest | Total |
| 2012 | 3.00% | \$ 115,000 | \$ 14,163 | \$ 129,163 |
| 2013 | 3.25% | 115,000 | 10,569 | 125,569 |
| 2014 | 3.50% | 120,000 | 6,600 | 126,600 |
| 2015 | 3.75% | 120,000 | 2,250 | 122,250 |
| Total | | \$ 470,000 | \$ 33,582 | \$ 503,582 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$580,000 of bonds issued in August 2009. The bonds were issued for the purpose of financing a school bus purchase, athletic field and concession stand upgrades. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 29 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$503,582. For the current year, \$110,000 in principal and \$17,400 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$439,965.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$58,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

The District also issued on November 24, 2009 a \$300,000 USDA Revenue Loan which is to be paid from the statewide sales, services and use tax with a 0% interest rate.

| Year Ending June 30, | Principal |
|-------------------------|------------------|
| 2012 | \$30,000 |
| 2013 | 30,000 |
| 2014 | 30,000 |
| 2015 | 30,000 |
| 2016 | 30,000 |
| 2017 | 30,000 |
| 2018 | 30,000 |
| 2019 | 30,000 |
| 2020 | 15,000 |
| | <u>\$255,000</u> |

During the year ended June 30, 2011, the District made principal and interest payments totaling \$356,093 under the agreements.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$213,693, \$210,340, and \$206,801, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 71 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

| | | |
|--|----|---------|
| Annual required contribution | \$ | 214,324 |
| Interest on net OPEB obligation | | 4,202 |
| Adjustment to annual required contribution | | -3,727 |
| Annual OPEB cost | \$ | 214,799 |
| Contributions made | | 129,195 |
| Increase in net OPEB obligation | \$ | 85,604 |
| Net OPEB obligation beginning of year | | 85,129 |
| Net OPEB obligation end of year | \$ | 170,733 |

For calculation of the net OPEB obligation, the actuary has set the transition day as June 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2011, the District contributed \$417,115 to the medical plan. Plan members eligible for benefits contributed \$40,325, or 10.38% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2010 | \$214,324 | 60.3% | \$85,129 |
| June 30, 2011 | \$214,324 | 60.3% | \$170,733 |

Funded Status and Funding Progress – As of June 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,950,272, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,950,272. The covered payroll (annual payroll of active employees covered by the plan) was \$2,787,506 and the ratio of the UAAL to covered payroll was 70%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 10%. The medical trend rate is reduced 0.5% each year until reaching the 10% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$514.62 per month for retirees less than age 65 and \$514.62 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$298,467 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

| Program | Amount |
|----------------------------|-------------------|
| Home School Assistance | \$ 11,374 |
| Talented and Gifted | 23,342 |
| Dropout Prevention | 44,250 |
| Teacher Salary Supplement | 7,245 |
| Market Factor (07) | 5,334 |
| Core Curriculum | 29,157 |
| Professional Development | 9,620 |
| Market Factor (08) | 5,095 |
| Other District Restrictive | 15,066 |
| Total | <u>\$ 150,483</u> |

(11) Subsequent Events

The District has evaluated subsequent events through March 15, 2012 which is the date that the financial statements were available to be issued.

(12) Commitments

The District has entered into a contract for \$175,102 with WBC Mechanical for a boiler. At June 30, 2011, costs of \$105,000 have been incurred. The balance of \$70,102 will be paid at completion.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

| | Capital Projects | Special Revenue, Physical Plant and Equipment Levy |
|--|---------------------|--|
| Balances June 30, 2010, as previously reported | \$ 366,788 | \$ 310,401 |
| Change in fund type classification per implementation of GASB Statement No. 54 | 310,401 | -310,401 |
| Balances July 1, 2010, as restated | <u>\$ 677,189</u> | <u>\$ -</u> |

Required Supplementary Information

Gladbrook-Reinbeck Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2011

| | Governmental Funds Actual | Proprietary Funds Actual |
|---|---------------------------------|--------------------------------|
| Receipts: | | |
| Local sources | \$ 4,394,739 | \$ 156,201 |
| Intermediate sources | - | - |
| State sources | 3,187,151 | 2,349 |
| Federal sources | 353,136 | 94,446 |
| Total Receipts | \$ 7,935,026 | \$ 252,996 |
| Disbursements: | | |
| Instruction | \$ 4,670,677 | \$ - |
| Support services | 2,034,964 | - |
| Non-instructional programs | 9,195 | 274,311 |
| Other expenditures | 926,464 | - |
| Total Disbursements | \$ 7,641,300 | \$ 274,311 |
| Excess (deficiency) of revenue over (under) expenditures/expenses | \$ 293,726 | \$ -21,315 |
| Other financing sources, net | 312,840 | 20,666 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses | \$ 606,566 | \$ -649 |
| Balances beginning of year | 1,731,937 | 59,507 |
| Balances End of Year | \$ 2,338,503 | \$ 58,858 |

See accompanying independent auditor's report.

| Total Actual | Budgeted Amounts | | Final to Actual Variance |
|-----------------|------------------|--------------|--------------------------------|
| | Original | Final | |
| \$ 4,550,940 | \$ 4,322,618 | \$ 4,322,618 | \$ 228,322 |
| - | - | - | - |
| 3,189,500 | 3,510,420 | 3,510,420 | -320,920 |
| 447,582 | 215,000 | 215,000 | 232,582 |
| \$ 8,188,022 | \$ 8,048,038 | \$ 8,048,038 | \$ 139,984 |
| <hr/> | | | |
| \$ 4,670,677 | \$ 4,647,000 | \$ 4,647,000 | \$ -23,677 |
| 2,034,964 | 2,340,500 | 2,340,500 | 305,536 |
| 283,506 | 321,500 | 340,000 | 56,494 |
| 926,464 | 772,071 | 972,071 | 45,607 |
| \$ 7,915,611 | \$ 8,081,071 | \$ 8,299,571 | \$ 383,960 |
| <hr/> | | | |
| \$ 272,411 | \$ -33,033 | \$ -251,533 | \$ 523,944 |
| 333,506 | - | - | 333,506 |
| <hr/> | | | |
| \$ 605,917 | \$ -33,033 | \$ -251,533 | \$ 857,450 |
| 1,791,444 | 928,060 | 928,060 | 863,384 |
| <hr/> | | | |
| \$ 2,397,361 | \$ 895,027 | \$ 676,527 | \$ 1,720,834 |
| <hr/> | | | |

Gladbrook-Reinbeck Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$218,500.

During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted.

Gladbrook-Reinbeck Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2011

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010 | June 1, 2009 | - | \$1,950 | \$1,950 | 0.0% | \$2,602 | 75% |
| 2011 | June 1, 2009 | - | \$1,950 | \$1,950 | 0.0% | \$2,788 | 70% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Gladbrook-Reinbeck Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

| | Special Revenue | | | Total |
|--|-------------------|-------------------|-------------------|-------------------|
| | Management | Student Activity | Debt Service | |
| Assets | | | | |
| Cash and Pooled Investments | \$ 303,353 | \$ 102,053 | \$ 122,707 | \$ 528,113 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 2,003 | - | - | 2,003 |
| Succeeding year | 150,000 | - | - | 150,000 |
| Accounts | - | 730 | - | 730 |
| Total Assets | \$ 455,356 | \$ 102,783 | \$ 122,707 | \$ 680,846 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 932 | \$ - | \$ 932 |
| Salaries and benefits payable | 8,800 | 349 | - | 9,149 |
| Deferred Revenue: | | | | |
| Succeeding year property tax | 150,000 | - | - | 150,000 |
| Total Liabilities | \$ 158,800 | \$ 1,281 | \$ - | \$ 160,081 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Debt service | \$ - | \$ - | \$ 122,707 | \$ 122,707 |
| Management levy purposes | 296,556 | - | - | 296,556 |
| Student activities | - | 101,502 | - | 101,502 |
| Total Fund Balances | \$ 296,556 | \$ 101,502 | \$ 122,707 | \$ 520,765 |
| Total Liabilities and Fund Balances | \$ 455,356 | \$ 102,783 | \$ 122,707 | \$ 680,846 |

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

| | Special Revenue | | Debt Service | Total |
|---|-----------------|---------------------|-----------------|-------------|
| | Management | Student Activity | | |
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 169,976 | \$ - | \$ - | \$ 169,976 |
| Other | 14,064 | 181,221 | 407 | 195,692 |
| State sources | 108 | - | - | 108 |
| Total Revenue | \$ 184,148 | 181,221 | 407 | 365,776 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 97,462 | \$ - | \$ - | \$ 97,462 |
| Other instruction | - | 178,226 | - | 178,226 |
| Support services: | | | | |
| Student services | 3,000 | - | - | 3,000 |
| Instructional staff services | 2,960 | - | - | 2,960 |
| Administration service | 14,705 | - | - | 14,705 |
| Operation and maintenance of plant services | 18,063 | - | - | 18,063 |
| Transportation services | 11,922 | - | - | 11,922 |
| Non-instructional programs | 9,195 | - | - | 9,195 |
| Other Expenditures: | | | | |
| Long-term debt: | | | | |
| Principal | - | - | 321,298 | 321,298 |
| Interest and fiscal charges | - | - | 34,795 | 34,795 |
| Total Expenditures | \$ 157,307 | \$ 178,226 | \$ 356,093 | \$ 691,626 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 26,841 | \$ 2,995 | \$ -355,686 | \$ -325,850 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 356,131 | 356,131 |
| Net change in fund balances | \$ 26,841 | \$ 2,995 | \$ 445 | \$ 30,281 |
| Fund balances beginning of year | 269,715 | 98,507 | 122,262 | 490,484 |
| Fund Balances End of Year | \$ 296,556 | \$ 101,502 | \$ 122,707 | \$ 520,765 |

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

| | Capital Projects | | |
|--|--|--|-------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 239,415 | \$ 192,485 | \$ 431,900 |
| Receivables: | | | |
| Property Tax: | | | |
| Delinquent | - | 2,197 | 2,197 |
| Succeeding year | - | 207,339 | 207,339 |
| Due from other governments | 188,090 | 44,355 | 232,445 |
| Total Assets | \$ 427,505 | \$ 446,376 | \$ 873,881 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 5,643 | \$ 1,665 | \$ 7,308 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 207,339 | 207,339 |
| Other | - | 44,355 | 44,355 |
| Total Liabilities | \$ 5,643 | \$ 253,359 | \$ 259,002 |
| Fund Balances: | | | |
| Restricted for: | | | |
| Debt service | \$ 58,468 | \$ - | \$ 58,468 |
| School infrastructure | 363,394 | - | 363,394 |
| Physical plant and equipment | - | 193,017 | 193,017 |
| Total fund balances | \$ 421,862 | \$ 193,017 | \$ 614,879 |
| Total Liabilities and Fund Balances | \$ 427,505 | \$ 446,376 | \$ 873,881 |

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2011

| | Capital Projects | | |
|--|--|--|------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Revenues: | | | |
| Local Sources: | | | |
| Local tax | \$ 439,965 | \$ 237,285 | \$ 677,250 |
| Other | 23,301 | 4,215 | 27,516 |
| State sources | - | 120 | 120 |
| Total Revenues | \$ 463,266 | \$ 241,620 | \$ 704,886 |
| Expenditures: | | | |
| Current | | | |
| Instruction: | | | |
| Regular instruction | \$ 308,592 | \$ - | \$ 308,592 |
| Support Services: | | | |
| Instructional staff services | 100,682 | 53,835 | 154,517 |
| Operation and maintenance of plant services | - | 3,392 | 3,392 |
| Transportation services | - | 5,500 | 5,500 |
| Other Expenditures: | | | |
| Facilities acquisition | 85,114 | 186,790 | 271,904 |
| Total Expenditures | \$ 494,388 | \$ 249,517 | \$ 743,905 |
| Excess (deficiency) of revenues over (under) expenditures | \$ -31,122 | \$ -7,897 | \$ -39,019 |
| Other Financing Sources (Uses): | | | |
| Capital lease proceeds | \$ 329,932 | \$ - | \$ 329,932 |
| Sale of assets | - | 2,908 | 2,908 |
| Operating transfers (out) | -243,736 | -112,395 | -356,131 |
| Total other financing sources (uses) | \$ 86,196 | \$ -109,487 | \$ -23,291 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | \$ 55,074 | \$ -117,384 | \$ -62,310 |
| Fund balances beginning of year, as restated | 366,788 | 310,401 | 677,189 |
| Fund Balances End of Year | \$ 421,862 | \$ 193,017 | \$ 614,879 |

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

| Account | Balance Beginning Of Year | Revenues and Inter-fund Transfers | Expenditures | Balance End of Year |
|------------------------------|---------------------------------|--|--------------|---------------------------|
| Drama | \$ 843 | \$ 3,473 | \$ 1,794 | \$ 2,522 |
| Vocal music | 2,744 | 1,390 | 1,812 | 2,322 |
| High School music fundraiser | 10,621 | 15,678 | 21,270 | 5,029 |
| Instrumental music | 640 | 1,089 | 751 | 978 |
| Band fundraisers | 13,270 | 8,511 | 15,282 | 6,499 |
| General athletics | 1,405 | 6,417 | 4,570 | 3,252 |
| Cross Country | - | 2,238 | 2,238 | - |
| Golf | - | 613 | 613 | - |
| Boys basketball | - | 6,483 | 6,336 | 147 |
| Boys basketball fundraiser | 1,290 | - | 1,121 | 169 |
| Football | 10,037 | 12,875 | 7,025 | 15,887 |
| Soccer | - | 6,132 | 6,132 | - |
| Baseball | - | 6,196 | 5,730 | 466 |
| Boys track | - | 1,283 | 1,283 | - |
| Wrestling | - | 6,165 | 6,165 | - |
| Girls basketball | - | 4,793 | 4,793 | - |
| Volleyball | - | 5,827 | 3,965 | 1,862 |
| Softball | - | 6,299 | 6,299 | - |
| Girls track | - | 1,689 | 1,594 | 95 |
| Activity tickets | 190 | 1,400 | 134 | 1,456 |
| Athletic resale | - | 6,091 | 464 | 5,627 |
| Cheerleaders | 202 | 1,207 | 996 | 413 |
| Class of 2010 | 422 | 20 | 308 | 134 |
| Class of 2011 | 6,603 | 2,275 | 8,878 | - |
| Class of 2012 | 2,686 | 17,874 | 12,760 | 7,800 |
| Class of 2013 | 540 | 690 | - | 1,230 |
| Class of 2014 | - | 525 | - | 525 |
| FFA | 4,906 | 17,956 | 18,956 | 3,906 |
| Foreign Friends | 413 | 87 | 102 | 398 |
| Peer Helper | 416 | - | - | 416 |
| Interest from investments | 11,799 | 260 | 94 | 11,965 |
| National Honor Society | 141 | 180 | 269 | 52 |
| Resale | 15 | 433 | 433 | 15 |
| Student Council-High School | 5,518 | 3,852 | 4,848 | 4,522 |
| SADD | 519 | 331 | 191 | 659 |
| Yearbook | - | 7,360 | 3,486 | 3,874 |
| Art Club | 103 | - | - | 103 |
| Baseball fundraiser | 2 | - | - | 2 |
| Speech | - | 1,133 | 1,133 | - |
| Girls basketball fundraiser | 615 | 1,358 | 218 | 1,755 |
| Renovation club | 200 | 914 | 712 | 402 |
| Weight room fundraiser | - | 8,382 | 5,500 | 2,882 |

Gladbrook-Reinbeck Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

| Account | Balance Beginning Of Year | Revenues and Inter-fund Transfers | Expenditures | Balance End of Year |
|-----------------------------|---------------------------------|--|--------------|---------------------------|
| Elementary Student Council: | | | | |
| Reinbeck | \$ 70 | \$ 300 | \$ - | \$ 370 |
| Gladbrook | 397 | - | - | 397 |
| Middle School: | | | | |
| Activities | 11,529 | 6,215 | 10,967 | 6,777 |
| Pictures | 1,348 | 1,861 | - | 3,209 |
| Student Council | 8,468 | 3,158 | 8,421 | 3,205 |
| SADD | 555 | 208 | 583 | 180 |
| Total | \$ 98,507 | \$ 181,221 | \$ 178,226 | \$ 101,502 |

Gladbrook-Reinbeck Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year Ended June 30, 2011

| | Balance Beginning Of Year | Additions | Deductions | Balance End Of Year |
|--------------------------|---------------------------------|-----------|------------|---------------------------|
| Assets | | | | |
| Cash | \$ 2,214 | \$ 8,714 | \$ 10,799 | \$ 129 |
| Total Assets | <u>\$ 2,214</u> | | | <u>\$ 129</u> |
| Liabilities | | | | |
| Due to other funds | \$ 2,214 | \$ 8,714 | \$ 10,799 | \$ 129 |
| Total Liabilities | <u>\$ 2,214</u> | | | <u>\$ 129</u> |

See accompanying independent auditor's report.

Gladbrook-Reinbeck Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Eight Years

| | Modified Accrual Basis | | | |
|---|------------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2009 | 2008 |
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 3,898,758 | \$ 3,592,963 | \$ 3,301,862 | \$ 3,220,809 |
| Tuition | 58,932 | 76,427 | 52,019 | 61,136 |
| Other | 437,049 | 422,230 | 386,375 | 399,272 |
| Intermediate sources | - | - | - | - |
| State sources | 3,187,151 | 2,822,386 | 3,589,336 | 3,563,399 |
| Federal sources | 353,136 | 551,219 | 162,703 | 162,732 |
| Total | \$ 7,935,026 | \$ 7,465,225 | \$ 7,492,295 | \$ 7,407,348 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 3,049,869 | \$ 2,834,051 | \$ 2,951,359 | \$ 2,856,012 |
| Special instruction | 820,002 | 760,509 | 970,743 | 817,946 |
| Other instruction | 800,806 | 780,698 | 644,840 | 617,560 |
| Support services: | | | | |
| Student services | 149,392 | 176,175 | 135,769 | 113,194 |
| Instructional staff services | 290,834 | 145,290 | 211,362 | 217,425 |
| Administrative services | 596,373 | 635,466 | 656,251 | 720,135 |
| Operation and maintenance of plant services | 629,697 | 620,299 | 652,443 | 631,931 |
| Transportation services | 368,668 | 663,933 | 423,045 | 365,011 |
| Community services | - | - | 823 | 895 |
| Non-instructional programs | 9,195 | 7,729 | 775 | 625 |
| Other expenditures: | | | | |
| Facilities acquisition | 271,904 | 1,046,784 | 567,663 | 489,713 |
| Long-term debt: | | | | |
| Principal | 321,298 | 110,000 | 90,000 | 85,000 |
| Interest and fiscal charges | 34,795 | 28,583 | 23,920 | 26,640 |
| AEA flow-through | 298,467 | 298,097 | 263,372 | 256,911 |
| Total | \$ 7,641,300 | \$ 8,107,614 | \$ 7,592,365 | \$ 7,198,998 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | |
|------------------------|--------------|--------------|--------------|
| 2007 | 2006 | 2005 | 2004 |
| \$ 2,705,618 | \$ 2,544,087 | \$ 2,443,168 | \$ 2,370,297 |
| 56,419 | 75,557 | 78,384 | 41,013 |
| 976,275 | 811,821 | 730,214 | 383,198 |
| - | - | - | - |
| 3,539,946 | 3,365,496 | 3,352,753 | 3,168,920 |
| 172,674 | 196,114 | 185,852 | 165,724 |
| \$ 7,450,932 | \$ 6,993,075 | \$ 6,790,371 | \$ 6,129,152 |

| | | | |
|--------------|--------------|--------------|--------------|
| \$ 2,851,862 | \$ 2,752,753 | \$ 2,706,963 | \$ 2,641,798 |
| 830,374 | 703,377 | 768,160 | 753,106 |
| 632,482 | 606,266 | 610,450 | 563,866 |
| 137,450 | 129,810 | 141,722 | 141,964 |
| 194,469 | 266,090 | 248,330 | 178,931 |
| 705,781 | 661,661 | 637,462 | 596,304 |
| 541,213 | 602,178 | 637,242 | 574,196 |
| 333,388 | 523,899 | 402,708 | 375,124 |
| 806 | 850 | 869 | 2,812 |
| 565 | 1,705 | 35,291 | 30,183 |
| 158,435 | 293,935 | 1,012,368 | 109,726 |
| 85,000 | 85,000 | 80,000 | - |
| 28,905 | 31,145 | 29,976 | - |
| 251,550 | 235,401 | 235,863 | 238,663 |
| \$ 6,752,280 | \$ 6,894,070 | \$ 7,547,404 | \$ 6,206,673 |

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 15, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gladbrook-Reinbeck Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Gladbrook-Reinbeck Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Gladbrook-Reinbeck Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Gladbrook-Reinbeck Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Gladbrook-Reinbeck Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Gladbrook-Reinbeck Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gladbrook-Reinbeck Community School District and other parties to whom Gladbrook-Reinbeck Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Gladbrook-Reinbeck Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 15, 2012

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceed the amended certified budget amounts in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – In this particular case, the District feels the guidance wasn't clear on how the purchases for their 1:1 initiative computer purchases should be coded. The District coded these purchases to function 2232 – Instructional Related Technology – Student Learning Center. The District felt these purchases were 'instructional related technology'. As the Department of Education was completing their Federal reporting in late February 2012 they asked for further clarification of the purchases. After reviewing the District's purchases, the Department of Education required the District to change the coding of \$300,058.53 of computer purchases to function 1100 in March 2012. By requiring this change, the District's instruction function exceeded their budget by \$23,677 with no chance for the District to amend their budget at this point (eight months after the fiscal year end).

Since the District's conversation with the Department of Education, the Department of Education has issued clarification to their chart of accounts and in their publication School Business Alert. Since the District's audit had not been finalized at the time of their communication with the Department of Education, the changes needed to be made to the current audit, thus prompting this finding from the District's auditor.

Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|-------------------------|-----------------|
| Trunck's Country Foods | | |
| Owned by Darren Trunck – Employee | Supplies | \$4,746 |
| Dinsdale Construction | | |
| Owned by Kirk Dinsdale – Employee | Construction | \$525 |
| Turfmaster | | |
| Owned by Jeff Charley – Employee | Services | \$18,430 |
| Cooley Pumping & Cooley Sanitation | | |
| Owner – Spouse of Board Member | Services | \$8,077 |
| Donna Cooley | | |
| Owner – Mother and mother-in-law of Board Members | Services | \$2,510 |
| | | <u>\$34,288</u> |

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest. All transactions were board approved. Dinsdale Construction was awarded through competitive bidding.

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

- II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-11 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.
- II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

Gladbrook-Reinbeck Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

- II-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|---|----|---------|---------------------|
| Beginning balance | | \$ | 366,788 |
| Revenues/transfers in: | | | |
| Sales tax revenues | \$ | 270,773 | |
| Other local revenues | | 23,301 | |
| School infrastructure supplemental amount | | 169,192 | |
| Proceeds from capital lease | | 329,932 | 793,198 |
| | | | <u>\$ 1,159,986</u> |
| Expenditures/transfers out: | | | |
| School infrastructure construction | \$ | 85,114 | |
| Land purchased | | - | |
| Building purchased | | - | |
| Equipment | | 409,274 | |
| Other | | - | |
| Transfers to other funds: | | | |
| Debt service fund | | 243,736 | 738,124 |
| | | | <u>\$ 421,862</u> |
| Ending balance | | | |

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Per \$1,000 of Taxable Valuation | Property Tax Dollars |
|--|--|----------------------------|
| Debt service levy | \$ 1.0003 | \$ 439,965 |
| Physical plant and equipment levy | - | - |
| Public educational and recreational levy | - | - |